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## PAID UP OIL AND GAS LEASE

PROD 88  
09/03

THIS LEASE AGREEMENT is made as of the 1 day of December, 2008, between Charles E. Webb, Esq., 3663 Airport Freeway Fort Worth, TX 76111, as Receiver for JIM A. JOHNSTON, SR. AND WIFE PEGGY K. JOHNSTON AND THEIR RESPECTIVE KNOWN OR UNKNOWN HEIRS, DEVISEES, DESCENDANTS, PERSONAL REPRESENTATIVES AND ASSIGNS, as Lessors, and CARRIZO OIL & GAS, INC., 1000 Louisiana Street, Suite 1500, Houston, Texas 77002, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions including the completion of blank spaces, were prepared jointly by Lessor and Lessee.

1. Description. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described lands, hereinafter called leased premises.

**0.31 acres of an acre of land, more or less, being out of the Joseph Baker Survey, A-214, Tarrant County, Texas being the same tract or parcel of land described in Deed dated April 15, 1975 from Joe Patterson, as Grantor, to Jim A. Johnston, Sr. and wife Peggy K. Johnston, as Grantee, recorded in Volume 6461, Page 653, Deed Records of Tarrant County, Texas;**

In the County of Tarrant, State of Texas, containing 0.31 acres, more or less, (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas along with all hydrocarbon and nonhydrocarbon substances produced in association herewith. The term "gas" as used herein includes helium, carbon dioxide, gaseous sulfur compounds, coalbed methane and other commercial gases, as well as normal hydrocarbon gases. In addition to the above-described land, this lease and the term "leased premises" also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any payments based on acreage hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. Term of Lease. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of **THREE (3) YEARS** from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalty Payment. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be **Twenty-Five Percent (25%)** of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the wellhead market price then prevailing in the same field ( or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be **Twenty-Five Percent (25%)** of the proceeds realized by Lessee from the sale thereof, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the prevailing wellhead market price for production of similar quality in the same field (or if there if no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase arrangements entered into on the same or nearest preceding date as the date on which Lessee or its affiliate commences its purchases hereunder; and (c) in calculating royalties on production hereunder, Lessee may deduct Lessor's proportionate part of any production and excise taxes. If at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay an aggregate shut-in royalty of Ten dollars (\$10.00) per acre then covered by this lease, such payment to be made to Lessor on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. Shut-in Payment. All shut-in royalty payments under this lease shall be paid or tendered directly to Lessor at the above address, or its successors, regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor by deposit in the U.S. Mails in a stamped envelope addressed to the Lessor at the last address known to Lessee shall constitute proper payment.

5. Operations. If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no interruption of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to reservoirs then capable of producing in paying quantities on the leased premises or land pooled therewith, or (b) protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Pooling. Lessee shall have the right, but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of drilling or production whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The creation of a unit by such pooling shall be based on the following criteria (hereinafter called "pooling criteria"): A unit for an oil well (other than a horizontal ) shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purposes of the forgoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more pre barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil or gas well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessors royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. In the event a unit is formed hereunder before the unit well is drilled and completed, so that the applicable pooling criteria are not yet known, the unit shall be based on the pooling criteria Lessee expects in good faith to apply upon completion of the well; provided that within a reasonable time after completion of the well the unit shall be revised if necessary to conform to the pooling criteria that actually exists. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. To revise a unit hereunder, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. Payment Reductions. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties, and shut-in royalties payable hereunder for any well on any part of the leased premises or land pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises. To the extent any royalty or other payment attributable to the mineral estate covered by the lease is payable to someone other than Lessor, such royalty or other payment shall be deducted from the corresponding amount otherwise payable to Lessor hereunder.

8. Ownership Changes. The interest of either Lessor or Lessee may be assigned, devised or otherwise transferred in whole or in part by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until sixty days after Lessee has been furnished the original or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate at the address designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons, either jointly, or separately in proportion to the interests which each owns. If Lessee transfers its interest hereunder in whole or in part, Lessee shall be relieved of all obligations hereafter existing with respect to the transferred interests, and failure of the transferee to satisfy such obligations with respect to the transferred interests, shall not effect the rights of Lessee with respect to any interests not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Release of Lease. Lessee may, at any time and from time to time deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases less than all of the interest or area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. Ancillary Rights. In exploring for developing, producing and marketing all oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations any oil, gas water and/or other substances produced on the leased premises, except water from Lessor's well or ponds in exploring, developing, producing or marketing from the leased premises or lands pooled or unitized therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial releases or other partial termination of this lease, and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. Lessee shall bury its pipelines below ordinary plow depth. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands of Lessor used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. Regulation and Delay. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any provisions or implied covenants of this lease when drilling, production or other operations are so prevented or delayed.

12. Breach or Default. No litigation shall be initiated by Lessor for damages, forfeiture or cancellation with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

13. Warranty of Title. Lessor hereby agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor .

LESSOR

**Charles E. Webb, Esq. acting as Receiver for Mineral Interests under appointment by the 96th Judicial District Court of Tarrant County, Texas, in Cause No. 096-232192-08 for the undivided mineral interests attributable to JIM A. JOHNSTON, SR. AND WIFE PEGGY K. JOHNSTON AND THEIR RESPECTIVE KNOWN OR UNKNOWN HEIRS, DEVISEES, DESCENDANTS, PERSONAL REPRESENTATIVES AND ASSIGNS, Defendants,**

By:



Charles E. Webb, Esq., Receiver

ACKNOWLEDGEMENT

STATE OF TEXAS

COUNTY OF TARRANT

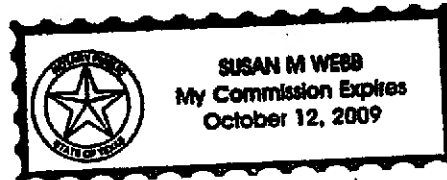
This instrument was acknowledged before me on the 11 day of December, 2008 by **Charles E. Webb, Esq., acting as Receiver for Mineral Interests under Appointment by the 96th Judicial District Court of Tarrant County, Texas, in Cause No. 096-232192-08.**



Notary Public for the State of Texas

After recording please return to:

Carrizo Oil & Gas, Inc.  
ATTN: Mark H. Brethauer  
1000 Louisiana, Suite 1500  
Houston, TX 77002



## EXHIBIT "A"

This Exhibit "A" is attached hereto and made a part of that certain Oil and Gas & Mineral Lease dated December \_\_, 2008 by and between, Charles E. Webb, Esq., 3663 Airport Freeway Fort Worth, TX 76111, as Receiver for JIM A. JOHNSTON, SR. AND WIFE PEGGY K. JOHNSTON AND THEIR RESPECTIVE KNOWN OR UNKNOWN HEIRS, DEVISEES, DESCENDANTS, PERSONAL REPRESENTATIVES AND ASSIGNS, as Lessors, and CARRIZO OIL & GAS, INC.

15. Addendum Provisions Govern: The foregoing Addendum and the provisions of the Addendum shall supersede and govern the provisions of the lease, wherever those provisions are in conflict with the Addendum. This lease, including the Addendum, shall inure to the benefit of, and be binding upon the parties hereto and other respective heirs, representatives, successors and assigns.
16. Royalty Limited to Hydrocarbons This lease covers only oil, gas, sulphur and other associated hydrocarbons which can be produced out of and from the bore of a well. Solid minerals, other than sulphur, such as iron, coal, sand, gravel, gold and clay are excluded from this lease.
17. No Surface Operations: Notwithstanding anything to the contrary in the printed lease or this Exhibit, this lease does not grant any drill site rights to Lessee and Lessee shall not have the right to conduct any operations on the surface of the leased premises, except seismic and geophysical operations. Nothing contained herein shall limit Lessee's right to drill under any portion of the leased premises.
18. Lessor's Royalty Free of Expenses: The royalties provided in Paragraph 3 herein shall be determined and delivered to Lessor free of any development, production, compression, processing, treating, transportation, delivery, or like costs; however, such royalties shall bear taxes applicable to Lessor's share of production that are paid by Lessee.
19. Royalty -Amount Realized: Notwithstanding anything contained herein to the contrary, Lessee shall never be obligated to pay royalty on products produced, saved and sold by Lessee under this lease based upon a price higher than that realized by Lessee at the point of delivery nor shall Lessor's royalty on products produced, saved and sold by Lessee under this lease be paid based upon a price lower than that realized by Lessee at the point of delivery. For the purpose of this lease, point of delivery shall be defined as that point at which oil and/or gas or any products produced by Lessee under this lease are no longer owned or controlled by Lessee.
20. Pugh Clause: After the expiration of the primary term of this lease, or after cessation of continuous development as provided herein, whichever occurs last, this lease shall terminate as to all lands not included in a pooled unit for production.
21. Vertical Pugh Clause: After the expiration of the primary term of this lease, or after cessation of continuous development as provided herein, whichever occurs last, this lease shall terminate as to all depths lying below 100 feet below the stratigraphic equivalent of the deepest depth for which production casing has been set by Lessee on the above described premises or upon land with which these lands may be pooled for production.
22. Shut-in Royalty: While there is a gas well on this lease or on lands pooled hereunder proven to be capable of producing gas in a commercial quantity but gas is not being sold or used or there is a horizontal drainhole well which been drilled which is awaiting fracture stimulation due to lack of available gas pipeline connection, and this lease is not otherwise maintained in force by production or operations as herein provided, Lessee shall pay as royalty, commencing on or before 90 days after such well is first shut-in, a sum equal to Ten and no/100 (\$10.00) Dollars per net mineral acre per annum as shut-in royalty payment during and after the primary term based on the number of acres subject to this lease and included in the unit or development, and if such payment is made or tendered, this lease shall not terminate and will be considered that gas is being produced from this lease in paying quantities; provided, however, this lease cannot be maintained in force by payment of shut-in royalties for more than 12 cumulative months. Royalty on actual production during a shut-in period will not be reduced by the amount of shut-in payments.
23. Hold Harmless: Lessee shall indemnify and hold Lessor harmless from and against any and all claims, actions, liability, loss, damage or expense of every kind and nature, including, but not limited to attorney's fees and costs, for damage to property including environmental damage to surface properties and underground water of any person, firm or corporation or for injury to or death of any person, including, but not limited to, the employees of Lessee, its successors, assigns, contractors or subcontractors, which may, in whole or in part, be caused by or arise out of operations conducted hereunder or the enjoyment of this lease or the exercise of any right granted hereunder or any obligation imposed hereby.

24. Release: It is understood and agreed, notwithstanding anything to the contrary contained herein, that within Forty-five (45) days after this lease has expired or any portion thereof has terminated, Lessee or any assignee thereof shall furnish Lessor, or Lessor's heirs or assigns, with a recordable release of this lease or such portions which have been terminated under the terms of this lease agreement. If Lessor makes written demand of Lessee to furnish a release or partial release and Lessee fails or refuses to do so within 30 days after receipt of the written demand, then Lessee shall reimburse Lessor for all reasonable expenses incurred to secure the release.

25. Transfer of Interest: Pursuant to Paragraph 8 herein, if Lessee transfer its interest, it shall remain jointly liable with the transferee/assignee for prior defaults. In addition, Lessee shall remain liable for its proportionate share of any retained interest.

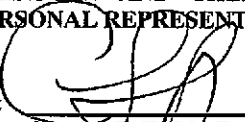
26. Force Majeure & Regulation of Prices: Notwithstanding the provision of Paragraph 11 herein, the reference to regulation of prices is deleted; and Lessee must make all commercially reasonable efforts to avoid a force majeure, and any force majeure will not exceed one hundred twenty (120) days

27. No Warranty of Title: Notwithstanding the provision of Paragraph 13, Lessor does not warrant its title to the leased premises. Lessee accepts Lessor's title in and to the leased premises.

**SIGNED FOR IDENTIFICATION**

**LESSOR:**

Charles E. Webb, Esq., acting as Receiver for Mineral Interests under Appointment by the 96th Judicial District Court of Tarrant County, Texas, in Cause No. 096-. 096-232192-08, for JIM A. JOHNSTON, SR. AND WIFE PEGGY K. JOHNSTON AND THEIR RESPECTIVE KNOWN OR UNKNOWN HEIRS, DEVISEES, DESCENDANTS, PERSONAL REPRESENTATIVES AND ASSIGNS, as Lessors.

By:   
Charles E. Webb, Esq., Receiver